

Message Text

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41

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C O N F I D E N T I A L QUITO 8444

STADIS//////////

FOR ARA: GRUNWALD AND ALLITTO; EB - SMITH, L - SCHWEBEL

E.O. 11652: GDS

TAGS: EINV, ENRG, PFOR, EC

SUBJECT: GULF NEGOTIATIONS

REF: QUITO 8421

1. THERE HAS BEEN A VERY DISCOURAGING DEVELOPMENT THIS MORNING IN THE GULF NEGOTIATIONS. THE LOCAL PRESS CARRIES A STORY BASED ON A COMMUNIQUE FROM THE INTER-MINISTERIAL COMMISSION THAT IS NEGOTIATING WITH GULF TO THE EFFECT THAT THE NEGOTIATIONS HAVE ARRIVED AT A "STALEMATE" AND THAT THE COMMISSION HAS PRESENTED TO THE ECONOMIC MEMBERS OF THE CABINET A PROPOSAL BY WHICH THE GOVERNMENT WILL TAKE OVER THE RIGHTS AND ASSETS OF GULF AS OF DECEMBER 31ST. ALTHOUGH THE COMMUNIQUE STATES THAT THE COMMISSION HAS SUBMITTED TO THE GOVERNMENT A DRAFT OF AN AGREEMENT ("CONVENIO") WHICH CONTAINS "THE PRINCIPAL POINTS OF THE PROCEDURE WHICH WILL BE FOLLOWED TO MAKE EFFECTIVE THE TRANSFER OF THE RIGHTS AND ASSETS OF THE COMPANY TO CEPE", I ASSUME THAT THIS REFERS TO THE "ACTA" THAT THE COMMISSION HAD ALREADY INFORMED GULF IT WAS PREPARING AND BY WHICH IT WOULD UNILATERALLY ESTABLISH THE TERMS OF A SETTLEMENT TO BE WORKED OUT A POSTERIORI TO CEPE'S ASSUMING POSSESSION OF THE COMPANY'S ASSETS. THE PRESS RELEASE BLAMES GULF

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FOR THE LACK OF PROGRESS IN THE NEGOTIATIONS, ACCUSING THE

COMPANY'S NEGOTIATORS OF NOT PARTICIPATING IN THE VARIOUS SUB-COMMITTEES WHICH WERE ESTABLISHED TO WORK OUT THE MANY POINTS AT ISSUE. IT ALSO CHARGES THAT THE COMPANY HAS MADE DEMANDS THAT IN NO WAY CAN BE ACCEPTED BY THE GOVERNMENT AND THE ECUADOREAN PEOPLE AND REFERS SPECIFICALLY TO THE COMPANY'S DESIRE TO BE PAID OFF WITHIN A FIVE-YEAR PERIOD.

2. I HAVE REQUESTED ON AN URGENT BASIS A MEETING WITH THE SUPREME COUNCIL OF GOVERNMENT. I INTEND TO MAKE THE FOLLOWING POINTS TO THE COUNCIL:

(A) THE PRECEDURE RECOMMENDED BY THE COMMISSION BY WHICH GULF ASSETS AND RIGHTS WOULD BE TAKEN OVER AS OF DECEMBER 31 WITHOUT HAVING REACHED AN AGREEMENT AS TO THE TERMS OF SUCH A TRANSFER VIOLATES THE MEMORANDUM OF UNDERSTANDING.

(B) SUCH AN ACT BY THE GOE WOULD IMMEDIATELY TRANSFORM THE QUESTION INTO AN INTER-GOVERNMENTAL ISSUE, IN WHICH THE QUESTION WOULD ARISE AS TO WHETHER THE GOVERNMENT, HAVING EXPROPRIATED GULF, WAS TAKING ADEQUATE STEPS TO PROVIDE FOR COMPENSATION. THE QUESTION WOULD THEN BE RAISED IF THE USG COULD GO FORWARD WITH VARIOUS KINDS OF ECONOMIC AND MILITARY COOPERATION UNTIL THE QUESTION OF ADEQUATE COMPENSATION HAD BEEN RESOLVED SATISFACTORILY.

(C) IT IS SIMPLY UNTRUE THAT THE NEGOTIATIONS HAVE NOT PROGRESSED BECAUSE OF GULF'S REFUSAL TO COOPERATE OR ITS TAKING UNREASONABLE POSITIONS. THE WAY IN WHICH THE COMMISSION HAS PROCEEDED AND THIS LATEST PUBLIC STATEMENT CALL INTO QUESTION WHETHER IN FACT THE GOVERNMENT IS ATTEMPTING IN GOOD FAITH TO CARRY OUT THE MEMORANDUM OF UNDERSTANDING.

(D) BY PROCEEDING IN THIS FASHION THE GOVERNMENT IS RISKING A REPETITION OF THE SITUATION WHICH PREVAILED IN AUGUST AND SEPTEMBER IN WHICH GULF SUSPENDED DEPOSITS. (SUBSEQUENT TO SENDING REFTTEL, WE HAVE LEARNED THAT BY THE END OF THIS YEAR GULF EXPECTS CONFIDENTIAL

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TO HAVE EIGHTY MILLION DOLLARS OUTSTANDING IN DEPOSITS FOR SHIPMENTS ALREADY MADE.)

(E) IT IS MY HOPE THAT THE SUPREME COUNCIL WILL TAKE URGENT MEASURES TO AVOID THESE GRAVE PROBLEMS BY GETTING THE NEGOTIATIONS BACK ON TRACK AND LETTING THEM RUN THEIR COURSE, REMOVING THE SELF-IMPOSED DECEMBER 31 DEADLINE UNLESS A MUTUALLY SATISFACTORY

SETTLEMENT COULD BE REACHED BY THAT DATE, WHICH
I BELIEVE VERY UNLIKELY.

3. COMMENT: THERE ARE INDICATIONS THAT THE COMMUNIQUE
WAS RELEASED BY THE CHAIRMAN OF THE COMMISSION, COL. MIRANDA,
ON HIS OWN INITIATIVE. IF SO, THE SUPREME COUNCIL MAY
FIND IT EASIER TO BACK OFF FROM THE PROCEDURES PROPOSED
BY THE COMMISSION.

4. I WILL REPORT THE RESULTS OF MY CONVERSATIONS IMMEDIATELY.
BLOOMFIELD

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